



D A L L A S
POLICE & FIRE
PENSION SYSTEM



MINUTES SUMMARY
Board Meeting
Thursday, August 13, 2015

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at 8:30 a.m. on Thursday, August 13, 2015, in the Second Floor Board Room at 4100 Harry Hines Blvd., Dallas, Texas. Items of the following agenda were presented to the Board:

The meeting was called to order at 8:30 a.m.

A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of members and pensioners who recently passed away.

B. WELCOME OF NEWLY-APPOINTED AND RE-APPOINTED TRUSTEES

The Board welcomed newly appointed and re-appointed Trustees.

C. CONSENT AGENDA

Approved, subject to the final review of the staff.

D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Received and filed the AEW review of RED Consolidated Holdings and related assets.
- 2a. Directed Staff and The Townsend Group to bring to the September 10 Board meeting potential new managers for the remainder of the portfolio currently managed by CDK.
- 2b. Authorized the Executive Director to have the option, subject to her discretion, to purchase any interests held by third parties in the 4100 Harry Hines condominium.
3. Voted to reevaluate the Museum Tower investment at the November Board meeting.

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- 4a.** Accepted the revised 2014 actuarial valuation report, replacing the Board's prior acceptance of the original report on May 14, 2015.
- 4b.** Received and filed the report on GASB 67 disclosures.
- 5.** The General Counsel briefed the Board on legal issues. Authorized the Executive Director to hire a law firm to conduct a review of potential claims related to past real estate transactions.
- 6.** Approved issuance of the 2014 audit report, subject to final review and approval by BDO and the Executive Director.
- 7.** Directed staff to bring three qualified actuarial firms, including our current firm, Buck Consultants, for the Actuarial Funding Committee's review and recommendation and the Board's selection.
- 8.** Approved the proposed revisions to the following Board policies: Contractor's Statement of Ethics and Committee Policy and Procedure.
- 9.** Received and filed the budget review for the first six months of Calendar Year 2015.
- 10.** Approved proposed changes to the timing of the presentation of the annual budget and adopted the revised Budget Adoption Policy.
- 11.** Received and filed the monthly investment and financial reports.
- 12.** Approved the amendment to the Bentall Kennedy Investment Management Agreement and authorized the Executive Director to perform all necessary acts, exercise all appropriate discretion to consummate, and execute the contract amendment.
- 13.** Received and filed reports by Board and staff members on due diligence meetings, seminars and/or conferences attended.
- 14.** The General Counsel reviewed the minimum educational training requirements for Board Trustees under the Government Code.
- 15.** Received and filed the discussion of the annual workshop plans.
- 16.** Interviewed the Chief Investment Officer finalist and provided feedback to the Executive Director.

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E. BRIEFING ITEMS

1. Received comments from members and pensioners during the open forum.
2. Received and filed the Executive Director's report.

The meeting was adjourned at 5:00 p.m.

SUPPLEMENTAL POLICE AND FIRE PENSION BOARD MEETING

The meeting was called to order and recessed at 8:30 a.m.

The meeting was reconvened at 2:32 p.m.

A. CONSENT AGENDA

Approved, subject to the final review of the staff.

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1a. Accepted the revised 2014 actuarial valuation report, replacing the Board's prior acceptance of the original report on May 14, 2015.
- 1b. Received and filed the report on GASB 67 disclosures.
2. Received and filed the monthly investment and financial reports.
3. Approved issuance of the 2014 audit report, subject to final review and approval by BDO and the Executive Director.
4. Received and filed the Supplemental Budget review for the first six months of Calendar Year 2015.

The Supplemental Board meeting was adjourned at 2:34 p.m.

In previous months, the Asset Distribution by Advisor Report was attached to the Minutes Summary. DFPF has discontinued use of this report in its previous form and is therefore no longer including it as an attachment to the Minutes Summary; however, the asset distribution by advisor information is presented to and discussed with the Board monthly. In addition, the Annual Report will continue to disclose net asset values by asset class in the footnotes to the audited financial statements.

Police and Fire Pension System
Thursday, August 13, 2015
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, Samuel L. Friar, Chairman, presiding:

ROLL CALL

Board Members

Present: Samuel L. Friar, Lee M. Kleinman, Joseph P. Schutz, Scott Griggs, Brian Hass, Kenneth S. Haben, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, John M. Mays, Philip T. Kingston

Absent: None

Staff

Kelly Gottschalk, Joshua Mond, Summer Loveland, Greg Irlbeck, Christina Wu, John Holt, Jerry Chandler, Corina Terrazas, Carlos Ortiz, Pat McGennis, Ryan Wagner, Milissa Schmidt, Linda Rickley, Kevin Killingsworth

Others

Gary Lawson, Pam Herbst, Ron Pastore, Robin Connors, Mark Morrison, Richard Brown, Martin Rosenberg, Jeff Leighton, David Driscoll, David Kent, Janie Shaw, Shbrone Mims, Ken Sprecher, Dan Wojcik, Ron Pinkston, Bill Ingram, Jerry M. Rhodes, Harold Holland, Enrique Guzman, Jr., Michael Aylward, Delridge Williams, Willie Reynolds, Keith Allen, Dominique Artis, Robert S. Valles

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The meeting was called to order at 8:30 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers Hollie M. Morrow, Ivan E. Shelton, and Perry R. Goodell, who recently passed away.

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B. WELCOME OF NEWLY-APPOINTED AND RE-APPOINTED TRUSTEES

On Wednesday, August 5, 2015, the Dallas City Council approved the following (re)appointments to the Dallas Police & Fire Pension System Board for terms of office to begin on August 5, 2015, and expire on June 26, 2017:

- Position 1 – Councilmember Lee M. Kleinman
- Position 2 – Councilmember Scott Griggs
- Position 3 – Councilmember Philip T. Kingston
- Position 4 – Councilmember Erik Wilson

The Board welcomed the newly appointed and re-appointed Trustees.

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C. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of July 9, 2015

- 2. Approval of Refunds of Contributions for the Month of July 2015**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for August 2015**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Alternate Payee Benefits**
- 8. Approval of Payment of Military Leave Contributions**
- 9. Approval of Payment of Previously Withdrawn Contributions**
- 10. Approval Payment of DROP Revocation Contributions**

After discussion, Mr. Haben made a motion to approve the items on the Consent Agenda, subject to the final review of the staff. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. AEW – Review of RED Consolidated Holdings and related assets

The Board went into a closed executive session – real estate at 8:45 a.m.

The meeting was reopened at 10:13 a.m.

After discussion, Mr. Brown made a motion to receive and file the AEW review of RED Consolidated Holdings and related assets. Mr. Conway seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:13 a.m.

The meeting was reconvened at 10:24 a.m.

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2. CDK Realty Advisors

- a. CDK Investment Management Agreement**
- b. 4100 Harry Hines property**

Staff and Townsend discussed the status of the current CDK portfolio and the Investment Management Agreement with DPFP.

Staff also provided an update on the 4100 Harry Hines property.

After discussion, Mr. Kleinman made a motion to direct Staff and The Townsend Group to bring to the September 10 Board meeting potential new managers for the remainder of the portfolio currently managed by CDK. Mr. Mays seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Kingston made a motion to authorize the Executive Director to have the option, subject to her discretion, to purchase any interests held by third parties in the 4100 Harry Hines condominium. Mr. Kleinman seconded the motion, which was unanimously approved by the Board.

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3. Museum Tower

The Board went into a closed executive session – real estate at 10:40 a.m.

The meeting was reopened at 11:26 a.m.

After discussion, Mr. Kleinman made a motion to vote to reevaluate the Museum Tower investment at the November Board meeting. Mr. Wilson seconded the motion, which passed by the following vote:

For: Kleinman, Wilson, Schutz, Griggs, Hass, Haben, Ho, Brown, Kingston
Against: Friar, Conway, Mays

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4. Reports and recommendations of Buck Consultants

- a. January 1, 2015 Actuarial Valuation Report (2014 Valuation)
- b. GASB 67 disclosures

David Driscoll, David Kent, and Janie Shaw, of Buck Consultants, DPFP’s actuary, were present to discuss the revised 2014 actuarial valuation reports for DPFP as of January 1, 2015. The revised valuation reports replace the reports received by the Board in May 2015. The revised reports reflect the downward adjustment to asset values discussed with the Board previously and the Board-adopted rate of return assumption of 7.25%.

The year ended December 31, 2014 is the first year that the disclosures required by the Governmental Accounting Standards Board Statement Number 67 (GASB 67) are required for DPFP in our audited financial statements. Buck reviewed the GASB 67 disclosures, which will be included in the 2014 audited financial statements.

After discussion, Mr. Mays made a motion to accept the revised 2014 actuarial valuation report, replacing the Board’s prior acceptance of the original report on May 14, 2015. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

Mr. Brown made a motion to receive and file the report on GASB 67 disclosures. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:56 a.m.

The meeting was reconvened at 12:33 p.m.

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5. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. 2014 Plan amendment election and litigation
- c. Potential claims involving real estate transactions

The Board went into a closed executive session – legal at 12:39 p.m.

The meeting was reopened at 1:13 p.m.

After discussion, Mr. Brown made a motion to authorize the Executive Director to hire a law firm to conduct a review of potential claims related to past real estate transactions. Mr. Hass seconded the motion, which was unanimously approved by the Board.

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6. 2014 audit report

Ms. Loveland presented the draft of the 2014 financial statement audit report.

DPFP is required under Sections 802.103 and 802.104 of the Texas Government Code to submit to the State Pension Review Board (PRB) an annual financial report reflecting the financial condition of DPFP as of the last day of the fiscal year covered in the report. The information is to be provided within 210 days of the last day of the fiscal year. DPFP notified the PRB in advance of the July 30, 2015 deadline that the report was pending finalization of private asset valuation and actuarial reporting and that the report would be provided upon completion.

After discussion, Mr. Brown made a motion to approve issuance of the 2014 audit report, subject to final review and approval by BDO and the Executive Director. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

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7. Actuarial services contract

Ms. Gottschalk stated that DPFPP has contracted with Buck Consultants for Actuarial Services since 1989. It is a recommended practice to review professional service providers on a periodic basis. There is an immediate need to begin significant actuarial work including an Experience Study and analysis to support the Long Term Financial Stability Sub-Committee.

After discussion, Mr. Brown made a motion to direct staff to bring three qualified actuarial firms, including DPFPP's current firm, Buck Consultants, for the Actuarial Funding Committee's review and recommendation and the Board's selection. Mr. Conway seconded the motion, which was unanimously approved by the Board.

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8. Board policies

- a. Board of Trustees and Employees Statement of Ethics
- b. Contractor's Statement of Ethics
- c. Committee Policy and Procedure

Mr. Mond stated that in order to reflect changes in practice approved by the Board as well as changes to law, revisions to the Contractor's Statement of Ethics and the Committee Policy and Procedure have been made. Mr. Mond and Ms. Gottschalk reviewed the revised policies and discussed potential changes to the Board of Trustees and Employees Statement of Ethics.

After discussion, Mr. Haben made a motion to approve the proposed revisions to the Contractor's Statement of Ethics and the Committee Policy and Procedure. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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9. Budget review for the first six months of Calendar Year 2015

Ms. Loveland presented a review of the Calendar Year 2015 Administrative and Professional Services Budgets detailing expenditures for the first six months of the calendar year.

After discussion, Mr. Brown made a motion to receive and file the budget review for the first six months of Calendar Year 2015. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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10. Proposed revisions to budget timing

Ms. Loveland discussed with the Board proposed revisions to procedures regarding the timing of the presentation and review of the annual budget.

According to existing procedures, staff presents the first draft of the proposed budget to the Audit and Administrative Advisory Committee (AAAC) in August of each year, followed by a presentation to the Board in September, the first reading for comments from members in October, and the final reading and approval of the Board in November.

Staff recommended adjusting the schedule as follows:

- First draft presented to the AAAC in September
- Presentation to the Board in October
- Posting of the proposed budget to the DPF website following the October Board meeting to allow for member review
- Receipt of member comments in the November Board meeting, with either Board approval of the final budget or Board direction to further revise and present final budget in December for approval

Adjusting the schedule as proposed will allow for more accurate estimates to be used in budget preparation as more information related to the following year's expenses will be known by staff given an additional month's time. This will also allow for more time for member review.

After discussion, Mr. Mays made a motion to approve proposed changes to the timing of the presentation of the annual budget and adopt the revised Budget Adoption Policy. Mr. Conway seconded the motion, which was unanimously approved by the Board.

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11. Investment and financial reports

Mr. Irlbeck reviewed the investment and financial reports with the Board.

After discussion, Mr. Brown made a motion to receive and file the Group Trust Asset Allocation Report, Monthly NAV and DROP Balances Report, DROP as % of NAV Report, and JPMorgan DPFPS Performance - Preliminary Report Package, as well as the Combined Statements of Fiduciary Net Position and Combined Statement of Changes in Fiduciary Position. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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12. Bentall Kennedy agreement

Ms. Gottschalk stated that on June 15, 2015, it was announced that Sun Life Financial would acquire Bentall Kennedy Group, who has been one of DPFPP's real estate investment managers since 1995. The transaction is expected to close in the third quarter of 2015 following satisfaction of all closing conditions and regulatory approvals. Per the Investment Management Agreement between DPFPP and Bentall Kennedy, DPFPP is required to consent to the ownership change.

After discussion, Mr. Brown made a motion to approve the amendment to the Bentall Kennedy Investment Management Agreement and authorize the Executive Director to perform all necessary acts, exercise all appropriate discretion to consummate, and execute the contract amendment. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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13. Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended

Reports were given on the following meetings. Those who attended are listed.

a. Society of Pension Professionals Meeting

Messrs. Brown, Schutz

b. Texans for Secure Retirement meeting

Mr. Brown

c. Wharton School: Alternative Investment Strategies

Mr. Friar, Ms. Gottschalk

After discussion, Mr. Schutz made a motion to receive and file the reports. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

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14. Trustee Education Requirements

Mr. Mond reviewed the minimum educational training requirements under the Government Code.

After discussion, Mr. Brown made a motion to receive and file the discussion of the minimum educational training requirements. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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15. Annual Board/Staff Workshop

Staff discussed the workshop plans with the Board.

After discussion, Mr. Haben made a motion to receive and file the discussion of the annual workshop plans. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:32 p.m.

The meeting was reconvened at 2:46 p.m.

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16. Executive search for Chief Investment Officer position

Interview Finalist #4

The Board went into a closed executive session – personnel at 2:46 p.m.

The meeting was reopened at 4:57 p.m.

No motion was made.

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**Regular Board Meeting
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E. BRIEFING ITEMS

1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System

Received member comments.

No motion was made.

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2. Executive Director's report

a. Long-term Financial Stability Sub-Committee update

b. Associations' newsletters

- NCPERS Monitor (July 2015)
- NCPERS PERSist (Summer 2015)
- TEXPERS Outlook (August 2015)
- TEXPERS Pension Observer (Summer 2015)

Mr. Haben made a motion to receive and file the Executive Director's report. Mr. Ho seconded the motion, which was unanimously approved by the Board.

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Brown and a second by Mr. Kleinman, the meeting was adjourned at 4:57 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary